

COWLITZ-WAHKIAKUM HEALTH DISTRICT
Cowlitz County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. The District Should Improve Cash Receipting, Depositing, Billing, And Accounts Receivable Procedures

During our audit of the district's internal controls we found the following significant weaknesses:

- a. Destruction of Documents) The district destroyed its copies of health cards issued through September 1993. During our last audit, we specifically recommended the district retain these documents. This control is necessary to determine if all cash collections have been deposited.
- b. Incompatible Duties) The same individuals who perform the billing function also perform cash receipting functions. Segregation of these duties is critical in preventing potential fraud or theft.
- c. Payment Information Missing) The district does not always include the mode of payment (cash or check) received on its receipt documents. Nor does it include information necessary to determine if the proper fees were charged and whether billing adjustments were proper. This information is required if the district is to reconcile the composition of deposits and determine if cash is missing.
- d. Cash Refunds Improperly Made) Cashiers issue cash refunds from cash collected thereby destroying the integrity of the cash/check composition of receipts and deposits. Because that integrity is essential for detecting certain misappropriations, management should prohibit refunds from cash collections.
- e. Cash Not Properly Secured) District management had not required moneys be kept in the district's vault overnight, even after a break-in and theft occurred in the clinic area.
- f. Deposits Not Made Timely) District management does not require deposits be made timely or intact. During our audit, deposits averaged over \$10,000 each. More frequent deposits will help to minimize the risk of loss to the district.
- g. Billings and Cash Receipting Inadequately Controlled) District personnel both bill for services and collect cash at many different locations, often without adequate supervision. District management should limit the cash receipting function to cashiers only, at a central location, and provide appropriate supervision.
- h. Accounts Receivable Control Not Effective) The district does not use control accounts to ensure that billings and receivables are accurate and complete. As

a result, the district has unsupported accounts receivable balances. Control accounts are imperative to ensure that billings, credits, and collections are complete and accurate and to allow for proper financial disclosure.

- i. Accounting Functions Not Appropriately Supervised) Directors of nursing, unfamiliar with accounting procedures, supervised persons performing accounting or billing functions. Billing clerks attempting to solve computer system problems, made system changes with no technical support or review by accounting staff.
- j. Accounts Receivable Collection Effort Not Adequate) The district has not established collection procedures for individual accounts receivable. The district writes off all patient accounts after 120 days. This results in inappropriately writing off accounts which may actually be collectable. Additionally, when coupled with the weaknesses cited above, the risk of billing and receipting fraud increases substantially.

State law requires the district to properly account for financial activity in RCW 43.09.200 which states in part:

Division of municipal corporations - Uniform system of accounting. The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons. The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs. (Emphasis ours.)

Because of the inadequate controls, we were unable to verify that all cash which should have been collected was actually collected, that accounts which should have been billed were actually billed, and that moneys collected were deposited intact.

Taken together, the conditions described above indicate a significant and pervasive control problem. Therefore, we are unable to give an opinion that accounts receivable shown on the district's financial statements are fairly stated.

On December 31, 1993, the Cowlitz/Wahkiakum Health District was dissolved. Beginning January 1, 1994, the Cowlitz County Health Department provides health related services at the same location with many of the same staff.

We recommend that county officials take action to correct the above weaknesses and strengthen internal controls.